



Many social enterprises build the road as they travel. Some do so literally. This road, hand-built of stone in the traditional way, will serve to re-connect people with land in a remote corner of the Czech Republic (see 57 in Appendix 4).

1 SOCIAL ENTERPRISE - WHAT IS IT?

“I wonder if I’ve been changed in the night? Let me think: was I the same when I got up this morning? I almost think I can remember feeling a little different. But if I’m not the same, the next question is, who in the world am I? Ah, that’s the great puzzle!”

Alice in Wonderland

1.1 A country tale from East and West

“In May, the whole countryside lights up with the white blossoms of fruit trees. Some say that is what gave the White Carpathians their name,” Radim Machu tells me with a smile as we sit in his small office above the Hostetin apple-juice plant shop floor. We are drinking the unadulterated, unfiltered, undiluted organic product made from local apple varieties, and I had commented on its wonderful taste. Radim agrees, but adds: “Our main target group when we built the apple-juice plant were not the consumers, but the producers. Local people, who own orchards of rare old apple varieties, so-called landraces, adapted over the centuries to local weather and soil conditions. The trees add beauty to the landscape, the apples have distinctive flavours and, crucially, these landraces do well on an organic basis, without chemical inputs. As fruit-picking is labour-intensive and there had been no way to sell the apples before, the orchards were being cut down or falling into disuse. With the new apple-juice plant, the local growers once more have a market for their apples and this should ensure the orchards’ existence for the

future, with benefits for both landscape and biodiversity.”

Radim, geographer, deputy mayor and a local born and bred, both lives and works in tiny **Hostetin** village (220 inhabitants) in the nascent Centre for Model Ecological Projects, of which the



Hostetin apple-juice had just received an “organic product of the year 2002” award.

apple-juice plant is the most prominent. As he explained, the plant is not large - its yearly produce of juice is around 130,000 litres. Yet its benefits are considerable: besides those mentioned above, it offers consumers a healthy drink in recyclable glass bottles and has

enhanced local employment as well as local pride. In addition, it is projected to serve as a source of sustainable income for White Carpathian Traditions, an association of local environmental groups, village councils and farmers.

“The plant was built, furnished and started-up in 2000 with a mix of grant and loan finance. The largest donor was the Luxembourg environmental ministry, which gave us a grant of £80,000. Substantially smaller contributions came from Hostetin village council, several foundations and the Czech Ministry for the Environment. A £27,000 loan from the Luxembourg ethical credit organisation, Alterfinanz, and a smaller bridging loan from the Veronica Foundation helped us to kick-off,” Radim explained. “Once the main loan is paid off, which will now be quite soon, we will make a small profit and this will go to the White Carpathian Traditions association, which manages the plant on a long-term lease from a Brno-based environmental organisation, the Veronica Foundation. The association will use it to support local projects enhancing what we call local bio- as well as cultural diversity. Besides conserving landraces, packing and distributing local organic meat is an important priority.”

In this highland area, diversity of culture and nature do indeed go hand-in-hand. Traditional sheep-farming has helped create and preserve meadows with rare orchids and other flowers, and fruit-drying, another subsistence activity, has always had a communal dimension, with neighbours tending the wood-fired drying sheds and talking and drinking

into the night. One such fruit-drying facility was repaired by volunteers on the Veronica Foundation grounds, another has been refurbished by a local farmer, who is a member of the association. “White Carpathian Traditions has developed a certification programme not only for local organic food, but also for local traditional crafts products. It now has a trading arm which sells the apple-juice and herb teas from local meadows, and plans to expand to dried fruits and other local products as well,” Radim continued, explaining however that distribution has been a problem, forcing the enterprise to sell more than half of the apple-juice through a supermarket chain despite its ethos of economic localisation.

Although the project has been able to build on a bedrock of decades of efforts to conserve local orchards and meadows, the impulse for the apple-juice plant came from abroad, as Yvonna Gaillyova, another person involved in the project from the beginning, told me: “After the Iron Curtain came down, we met Raymond Aendekerk from the Luxembourg-based environmental organisation Hellef fir d’Natur. He is not only an environmentalist but has his own little apple-juice plant as well! So he was able to obtain funding and credit for us and advise us on technicalities too. He even discovered a German apple-juice plant owner who was retiring and sold us his machinery for a token price.” The Veronica environmental organisation based in Brno, where Yvonna works, was the recipient of the grant money and oversaw the construction of the plant, which it has now leased to White

Carpathian Traditions. The Veronica Foundation remains the owner of the grounds and the buildings. “The people from Hellef fir d’Natur still come over regularly. We have become good friends and they appreciate our distinctive folk culture, including the local music. We have recently been able to give something back to them when we developed a new technology for blending beet and apple juice,” Yvonna explained. The new beet/apple juice is part of an effort at expanding the production season of the plant, which so far has run only a few weeks every year. “We could produce juice from fruit concentrate imported from Germany, but this is against our principles. We want to process products from the area, so we are trying to make juice from local vegetables instead.” Other plans include a new warehouse and, more ambitiously, a year-round education centre built to high environmental standards which will run courses for farmers, small businesses, local councils and others interested in replicating the pilot projects which have so far been successfully implemented in the area. Besides the apple-juice plant and fruit-drying facilities, these include a reed-bed water treatment plant, a wood-fired heating plant and a self-build scheme for solar collectors, etc. (see Fig. 6 in Chapter 4). Many educational activities take place on the grounds already, including the yearly **Hostetin** summer camp, where volunteers have fun, learn new skills and help with practical tasks. These have included recycling the sun-dried bricks from old buildings on the site, thus saving

construction costs, and more recently insulation of the plant buildings using local bales of straw. Enthusiastic volunteers also helped considerably with finding networks for marketing the product, keeping advertising and public relations costs to a paltry 1.6% in 2001 (Tydlackova 2002).



Camille Dreissler sees the mission of the Isle of Eigg Trust as safeguarding the future of the island on a principle of not-for-profit ownership.

Those involved in the **Hostetin Apple-juice Plant** speak of maintaining cultural and natural diversity. In a similar vein, Camille Dreissler in another remote corner of Europe sees the goal of the **Isle of Eigg Trust** as “safeguarding the future of the island in human and natural terms, on a principle of not-for-profit ownership.”

Like the White Carpathians and other rural areas Czech and British, the small

Isle of Eigg near the Isle of Skye in the Hebrides has suffered population decline and unemployment in the past. This had been exacerbated by neglect or abuse by a string of lairds - usually absentee owners who owned practically all the land and most of the dwellings on the island. When it assumed ownership of the island in a celebrated buy-out in 1997¹, the **Isle of Eigg Trust** was faced with the difficult task of pioneering a model of community ownership which would ensure a real voice in decision-making to all stakeholders in a place where a quasi-feudal system had prevailed for centuries.

Several years on, it is clear that they have succeeded though the path has not been easy. "The system has been thought about in detail by people to ensure flexibility and viability," Camille, who is a director of the trust, explained. The Trust has a 9-member full board of directors, who meet four times a year and include elected islanders, regional authority members, and, importantly on an island rich in natural heritage, representatives of the Scottish Wildlife Trust. The four resident directors, known as the island board, meet twice a month. After some discussion and misunderstandings, a formal system of communication between the residents' organisation and the Trust emerged, which has led to greater involvement in decision-making by the 70-odd people living on the island (see Fig. 5 in Chapter 4).

In addition to the Trust, residents are also elected to a community council spanning the four islands of Eigg, Muck,

Canna and Rum, which discusses things affecting all four islands, such as ferries. "A lot of people here are wearing a lot of hats, which is sometimes difficult," Camille shrugs. Besides being an unpaid director of the Trust, she works as part-time secretary of the council and has another part-time job in the new craft shop.

The craft shop, which has evolved into a marketing co-operative selling local residents' products, is one of the tangible results of the Trust's five-year management of the island property. It is housed in a new building erected near the pier by a trading arm, the Isle of Eigg Trading Company, which the Trust established soon after its inception. Local contractors built the pier building in record time thanks to a bank loan secured by the Trust, which will be repaid over 22 years from renting the premises within the building. Besides the craft shop, there is a general store and a tearoom, and also a new Trust office on the top floor. When I arrived there, I heard Ian, the new project manager of the Trust who had recently moved here from Edinburgh, speaking on the telephone: "No, you cannot take your car to the island... there are no roads here...everybody walks...you can rent a bike, a minibus, or cabs." He looked very happy at being able to work in such an outlandish place.

"There is a vibrancy about Eigg," Camille had told me, and I could feel it as I walked around the island, with its strange silvery light, bogs and heather, mountain backbones, and eagles flying overhead. The Trust and local crofters are working

1) *The buyout is described in detail in McIntosh, 2001*

in tandem with the Scottish Wildlife Trust and one important objective is to put more land under forest cover, which will serve both tourists and island biodiversity. "Such co-operation is not always the norm elsewhere," Camille assured me. "There are places in Scotland where local communities show strong resistance to conservation policies. Here however personal relations are very good and all is decided in discussion."

Camille, a native of France who chose to make the island her home over twenty years ago, has written a book about Eigg history². "I spent a lot of time listening to the old people", she told me. As in the White Carpathians, the past seems alive here, embedded in the landscape. Perhaps it is the landscape in both places which gives the people such energy.

Besides erecting the pier building, the Isle of Eigg Trust has directed its energy towards securing leases for those residents who did not have security of tenure under the old landlords. Another priority is repairing the houses scattered around the island and owned by the Trust, some of which are empty and many of which are in disrepair. This is funded by the Lochaber Housing Association which will accept rents from the repaired properties as repayment over a 25-year period.

Boosting population numbers and increased employment are important long-term targets. The Trust has sold houses to families committed to staying on the island and invited teachers in for courses such as accounting, forestry and computer

skills. There is a communal computer with Internet access in the tearoom, and local businesses have web pages on the Trust's website. The project manager, the only full-time employee of the Trust, has an important role in encouraging the creation of jobs, helping people develop business ideas, and pointing to grant possibilities for business start-ups.

Although many people on the island remain unemployed, Camille has a vision for the island's economic future: "I would like to see the island working towards self-sufficiency. We need more arable land, more people making things on the island. A LETS scheme would help, so would the readiness of people to work at several part-time jobs rather than one full-time. Teleworking is another option, as well as exporting things to the mainland. At the moment we only export cattle and sheep. And rocking horses! Tourism can be developed, but the season is limited. The tea-room runs at a loss in early and late season."

The Trust has been prudent with its money, and can show a small profit. However, it is not financially self-sustaining, and the salaries of the 1.5 staff are grant-funded, though Camille is optimistic in this respect: "The Trust will have to look at ways of generating more income. Hopefully, in three years' time we will make enough money to pay for the staff ourselves."

The **Hostetin Apple-juice Plant** and the **Isle of Eigg Trust**, different as they are in many ways, can both be classified as social

2) *Eigg, the story of an island*, Polygon, Edinburgh, 1998

enterprises: they have a financial, social and environmental remit. The next chapter looks at this elusive concept with a view to the projects studied, but if you are not particularly interested in definitions, don't hesitate to skip it and go to Chapter 2 for

a dip into the history of social enterprise, or straight to Chapter 3, if you wish to learn more about what I found out about the social enterprises and the people who make them a reality in both countries.

1.2 Definition(s) of social enterprise: a quest for pigeonholes

I diligently went through texts looking at definitions of social enterprise and its EU relative, the social economy. This is what I found:

According to Bruno Roelants of the European Confederation of Workers' Co-operatives, Social Co-operatives and Participative Enterprises: *A simplistic, but not altogether untrue way to put it would be: Nobody knows exactly what [the social economy] is, but everybody knows that it exists* (Roelants 2002).

A similar admission concerning social enterprise is made by new economics

foundation researcher Andrea Westall (2002):

...there are still a lot of disagreements over definitions. The easiest way out of this conundrum is generally pragmatic - "you know one when you see it", "it's actually a way of working rather than a distinct category" and, best of all, "let's not spend too much time discussing definitions". We have all used these lines and swiftly moved on to tackling some other rather more pressing and tangible issue... There is some consensus around certain types, such as community enterprises, social firms or development trusts, but less so around "not-for profit" businesses, or parts of the voluntary, co-operative and mutual sectors.



*Should all small farms be classified as social enterprises because they have an environmental and social public benefit?
(Hallgate Farm near Petworth, Sussex)*

Broad and partly conflicting definitions of social enterprise do exist in Britain as opposed to the Czech Republic, where the term is practically unknown. A definition

from the Social Enterprise London website (SEL 2001) seems to sum up the main features of social enterprise as it is usually understood in Britain:

Social enterprises are businesses that trade in the market in order to fulfil social aims. They have three common characteristics:

Enterprise oriented:

They are directly involved in the production of goods and the provision of services to a market. They seek to be viable trading concerns, making a surplus from trading.

Social ownership:

They are autonomous organisations with governance and ownership structure based on participation by stakeholder groups (users or clients, local community groups, etc.) or by trustees. Profits are distributed as profit sharing to stakeholders or used for the benefit of the community.

Social aims:

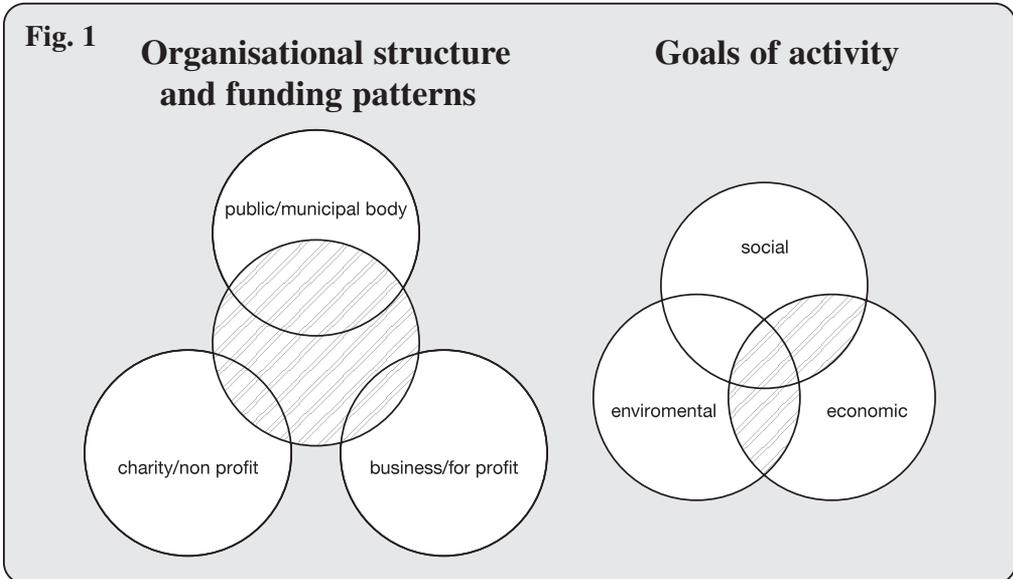
They have explicit social aims such as job creation, training and provision of local services. They have ethical values including a commitment to local capacity building. They are accountable to their members and the wider community for their social, environmental and economic impact.

So much for the theory. In practice the boundaries are fluid in each case. The income of social enterprises seldom all comes from their own trading, they often access private or government grant funding to a varying degree. Social ownership may be difficult to implement in organisations beyond a certain size even if they do have a co-operative structure. In some cases such a structure may even be intentionally misused, as happened in my own country during the Communist era, when so-called co-operatives were in fact government enterprises ruled, like the government itself, by the Communist Party.

Social aims, the third feature, may be expressed, but not implemented. On the

other hand it may be implemented in practice though not expressed in theory. I have included two enterprises of the latter type in my Czech case studies (60 and 64, see Appendix 4). Both are non-organic small farms. The case can be made that all small farms are social enterprises because they have an unrecognised public benefit (US Department of Agriculture, 1998). Casting the net even wider, could all small, de-centralised, predominantly locally trading enterprises come under the heading of “social enterprise”?

To complicate matters, not all social enterprises necessarily need to have a formal structure to be effective. According to MacGillivray et al. (2001), many “micro-social enterprises” work



Social enterprises are understood to exist on the interface of three institutional types: the public body, the charitable (non-profit) sector, and the business company. They also tend to blend three types of benefits: economic, social and environmental. They may thus be seen as a practical application of the goals of sustainable development.

without staff, office or regular funding all over Britain doing all manner of useful and interesting work. **Bioclub Ceske Budejovice** is an example of a Czech micro-social enterprise. In this small self-help group, based in the city of Ceske Budejovice, members take turns ordering organic food in bulk, saving money and building a community into the bargain (see Appendix 4).

As for the relationship of social enterprises to the non-profit, business and public sector, the key word seems to be “in-between.” Figure 1 shows this position in diagram.

A social enterprise may thus have

close connections to the **public** (and municipal, which is not in fact the same thing, see Chapter 4) **sector** such as the Czech **Zahradky Arts and Crafts Workshop**, which was set up by the local council and, though 90% financially self-sustaining, remains tied to it organisationally. Another example is the **Strathfillan Community Development Trust**, which, although independent, was helped at its inception by the local community council, and is active on behalf of all the residents of the Highland villages Tyndrum and Crianlarich.³

Some social enterprises are close to the **charitable, non-profit sector**. They

3) *Other social enterprises interviewed with close or more distant links to the public sector include numbers 1, 2, 7, 16, 17, 23, 33, 34, 38, 46, 50, 52, 54, 59 and 67.*

tend to adhere to a strictly non-profit ethos of surplus use, often have education and training among their aims, may get most of their funding from the outside. Umbrella, research and support organisations such as **Engolve**, **REAP**, or **West Dorset Food and Land Trust** in Britain and **Kopanice Development Information Centre** in the Czech Republic fall into this category. The **Kosenka Land Trust**, which manages natural areas on behalf of future generations, or the **Glastonbury Trust**, which supports holistic educational activities by income gained from its trading arm, are further examples.⁴

Finally, there are social enterprises which adhere closely to the **business model**. They are often largely self-financing, have a share company, partnership or co-operative structure, tend to rely less on volunteers and their activities are often associated with finance, production and trading. Examples in the Czech republic include the **Firemen's Insurance Company**, a national insurance company owned by firemen's groups, and the **Hutzul Farm**, which uses income from tourist accommodation and farming to breed rare Hutzul horses. British examples range from the fast-growing **Phone Co-op**, which sells telephone services to charities and individuals, to small **Beechenhill Farm**, whose organic farming income is supported by an innovative bed-and-breakfast scheme⁵. To make things even less clear, some projects, such as the **Borovna Forest Co-operative**

fall into several of the above categories, while others, such as the **Probio Mutual Fund**, don't fit into either one. (See also Table 1 in chapter 3.3 which gives the formal legal structure of the projects interviewed).

While the business, ethical and collective ownership aspects are present in most definitions of social enterprise and the social economy, there is another important dimension which is often overlooked: the dimension of **economic localisation**. A predominantly local economy, using local resources and local employment to produce goods and services for local consumers, may sound like a pipe dream in a world which seems to believe in world-wide competition on a "level playing field". Yet since the beginning of intensive economic globalisation in the seventies, there have been ever-louder calls for its opposite, a re-localisation of the economy: A dependence on far-off resources leads to chronic conflicts, violence and war, warned E. F. Schumacher in 1973. Let us aim for self-reliance, producing what we need using our own resources and internalising the challenges it involves, Johan Galtung suggested in 1986. The most economically successful today are those who manage to dump their negative externalities on others, agreed David Korten in 1995. We want to concentrate on what we can do to regain control over our daily lives, cried the authors of the *AlterEco* handbook,

4) *Others in this category arguably include numbers 2, 4, 8, 22, 34, 35, 36, 44 and 69.*

5) *Other social enterprises close in their outlook to the private sector include numbers 5, 6, 10, 11, 15, 19, 25, 26, 30, 32, 39, 41, 42, 43, 46, 47, 49, 50, 51, 53, 55, 57, 58, 59, 60, 64 and 65.*

a project of European Youth Forest Action, a year later. And *who wants a level playing field, if you are a village team playing a professional club?* asks John Pearce in 2002. Like Pearce, I am on the side of the “village teams”, and I believe that a local economic dimension should be an important aspect of social enterprise definition. Social and environmental accountability, the prime objectives of a social enterprise, are easier to achieve if it is rooted locally, and revitalisation of local production and trading brings such varied benefits as security of employment, reduced environmental externalities and traceability and higher nutritional value of food (Douthwaite 1996, Pretty 2001). According to Simms et al. (2002), *“local” is becoming to economics what organic has become to the food industry.* I therefore suggest that **economic localisation** (local production for local

consumption, using local resources and capital) become another strand in the definition of social enterprise.

“Local” need not always equal “small”, indeed thinkers like Pat Conaty (2002) argue for a “middle layer” of larger social enterprises. While some of the projects interviewed in this book do arguably fall within the “middle-layer” category⁶, most in fact are quite small. I have consciously selected a prevalence of smaller, grass-roots projects because they appeared more accessible, replicable, and applicable on a village, rural level.

Appendix 5 gives a list of the projects I interviewed, classified according to criteria derived from the above quest for definitions (financial sustainability, formal or true co-operative structure, ethical goals and economic localisation) and arranged in a “social enterprise continuum” (from “most social enterprise” to “least social enterprise”).

6) Projects 5, 6, 11, 19, 25, 28, 32, 41, 43, 49, 50, 56.